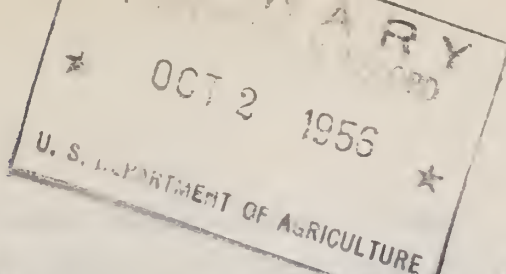


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FOR RELEASE  
JULY 22, P. M.  
1955

# *The* **DEMAND and PRICE SITUATION**

DPS - 7



Approved by the Outlook and Situation Board, July 18, 1955

## SUMMARY

Output of farm products now promises to be at a new high this year. Production of livestock products is at a record level and, if weather continues favorable, crop production is expected to total above last year and be the second highest on record. Feed grain production will be greatly increased over last year by near-record corn, oats, and barley crops, and a sorghum crop which has record possibilities. More vegetables will be available for fresh market but less for processing than last year. Downward adjustments from last year are indicated for food grains, tobacco, and sugar crops.

Record supplies of feed for the 1955-56 marketing year and prospects for lower feed prices are expected to result in increased production of livestock products. Hog slaughter in the last half of this year may be a tenth above the same period of 1954 and planned increases in fall farrowings make it likely that slaughter in the first half of 1956 will continue above a year earlier. More favorable price-cost relationships and big feed supplies also would tend to bring about some increase in production of dairy and poultry products over the coming year.

*(Continued on page 3)*

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE

## ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955			
		Year	June	Mar.	Apr.	May	June
Industrial production <u>1/</u>							
Total.....	1947-49=100	125	124	135	136	138	139
All manufactures.....	do.	127	125	136	138	140	141
Durable goods.....	do.	137	135	148	151	153	153
Nondurable goods.....	do.	116	116	124	125	127	128
Minerals.....	do.	111	114	121	120	121	122
Total outlay for new construc- tion <u>2/</u> .....	Million dollars	37,170	3,078	3,442	3,498	3,512	
Residential.....	do.	13,450	1,102	1,330	1,366	1,350	
Total civilian employment <u>3/</u> .....	Million	61.2	62.1	60.5	61.7	62.7	64.0
Nonagricultural.....	do.	54.7	54.5	54.8	55.5	55.7	56.3
Unemployment.....	do.	3.2	3.3	3.2	3.0	2.5	2.7
Income:							
Nonagricultural payments <u>2/4/</u> #...	Bil. dol.	271.9	272.1	280.9	283.7	286.6	
Production-worker payrolls <u>5/</u> #...	1947-49=100	137.7	135.8	146.6	146.7	150.2	151.3
Weekly earnings of production- workers in manufacturing <u>5/</u> ....	Dollars	71.65	71.50	75.30	74.77	76.30	76.11
Durable.....	do.	77.01	76.40	81.56	80.97	82.78	82.19
Nondurable.....	do.	64.58	64.57	66.70	65.91	67.32	67.83
Prices:							
Wholesale prices, all com- modities <u>5/</u> .....	1947-49=100	110	110	110	110	110	110
Commodities other than farm and food.....	do.	114	114	116	116	116	116
Farm.....	do.	96	95	92	94	91	92
Food, processed.....	do.	105	105	102	102	102	104
Prices received by farmers <u>6/</u> #...	1910-14=100	249	247	243	247	244	243
Crops.....	do.	243	243	243	252	255	244
Livestock and products.....	do.	255	249	243	242	234	242
Prices paid, interest, taxes and wage rates <u>6/</u> .....	1910-14=100	281	282	284	284	282	282
Items used in living.....	do.	274	276	273	274	274	273
Items used in production.....	do.	252	252	256	254	251	250
Parity ratio.....		89	88	86	87	87	86
Consumer price index <u>5/</u> .....	1947-49=100	115	115	114	114	114	
Food.....	do.	113	114	111	111	111	
Government purchases of goods and services <u>2/ 7/</u> .....	Billion dollars	77.5	78.3	74.7			
Federal (less Government sales).....	do.	50.0	51.3	45.9			
State and local.....	do.	27.5	27.0	28.8			

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

# Revised series.



<u>CONTENTS</u>			
	<u>Page</u>		<u>Page</u>
: Summary.....	1	Corn and Other Feeds.....	16
: General Business Conditions.	5	Wheat.....	17
: The Foreign Market for		Fruit.....	18
:   Agricultural Products.....	12	Commercial Vegetables.....	19
: Farm Income.....	13	Potatoes and Sweetpotatoes	19
: Livestock and Meat.....	13	Dry Edible Beans and Peas.	20
: Dairy Products.....	14	Cotton.....	20
: Poultry and Eggs.....	15	Wool.....	21
: Oilseeds, Fats and Oils.....	16	Tobacco.....	21

Continued from cover page -

Reflecting increased purchasing power, retail food stores sales in the second quarter were up about 5 percent from a year earlier. Food prices are a little below a year ago and the farmers' share of the retail food dollar in the second quarter averaged 42 cents, the same as in the first quarter but down 2 cents from a year earlier. Grower prices in April-June averaged about 3 percent below the same months last year, due primarily to large supplies and reduced prices for hogs, feed grains, and oil-bearing crops. Since prices paid by farmers for commodities, interest, taxes and wages were unchanged from a year earlier, the parity ratio was down 3 points to an average of 87 for the second quarter. Farmers' cash receipts also totaled less than in April-June last year, mainly due to reduced receipts from livestock products.

Each month brings reports of new high levels of economic activity and prospects for record income and spending in 1955. The gross product of the economy rose to a new high in the second quarter. Consumer incomes before taxes in May were at a record annual rate of 301 billion dollars. Employment at peak levels, rising wage rates, and a lengthening work week have all contributed to rapidly rising income payments. With purchasing power at record levels, consumer spending is at a high rate, though automobile sales fell off slightly in May and again in June.

Record consumer incomes, scheduled increases in business investment and prospects for continued high levels of production and construction activity suggest that economic activity and consumer incomes will rise further in coming months. A recent Commerce Department survey of more than 400 manufacturing industries indicates they will achieve new all-time sales and production records in 1955. Reflecting this general optimism, businessmen have programmed new plant and equipment outlays at a peak annual rate of nearly 29 billion dollars in the third quarter. Construction activity is expected to hold around current high rates despite some recent cutback in new housing starts.

### Commodity Highlights

Production of hogs is continuing upward, largely because of lower feed prices and prospects of large feed crop harvests this year. Hog prices will decline seasonally this fall and will probably be considerably lower than last fall. By winter, however, prices may not be greatly different than lower levels of last winter. Cattle numbers on farms remain stable. Cattle slaughter was slightly above a year ago in the first half of this year; calf slaughter was unchanged.

Prices received by farmers for milk and butterfat are more favorable than in recent years relative to prices of feed and other livestock products. If this relationship continues, some increase in milk flow may be expected by the end of this year, or in 1956, since hay and feed grain supplies are ample.

Later this year egg prices are expected to rise considerably above the unusually low levels of late 1954. With the number of young chickens on farms on June 1 about 18 percent below a year ago, egg production in the fall is likely to drop below last year. Broiler supplies are expected to continue large through September. Settings of eggs in incubators have been high since last April.

Supplies of food fats in the crop year beginning next October 1 may be about 5 percent less than the record quantities of this year. A reduced carryover will more than offset a new high in production.

Cash corn prices have been comparatively steady during the past 2 months while oats and barley prices have declined seasonally. In many areas, prices of these two grains are low compared with corn. Another big supply of feed grains is in prospect for 1955-56. Total production of the four feed grains was estimated on July 1 at 136 million tons, compared with 121.6 million last year.



The 1955 wheat crop is estimated at less than the likely disappearance and it is probable that early season prices will not fall as far below the loan rate as has been the case in recent years. Even with the average support price lower than for the 1954 crop, average prices for the marketing year as a whole may not differ much from the \$2.14 estimated for the 1954 crop.

Total supplies of fresh deciduous fruits from the 1955 crops probably will be about as large during August and September as a year earlier. Prospects on July 1 were for a 1955 deciduous crop about 4 percent larger than in 1954.

Total supplies of vegetables for the summer market are expected to be moderately larger than those of last summer. Potato production this year will be about 400 million bushels--up 12 percent from last year.

Total cotton carryover next August 1 is expected to be around 11 million bales. Cotton acreage in cultivation on July 1 was 17.1 million acres, 6 percent below the 1955 allotment and 14 percent below a year earlier.

World wool production in 1955 is forecast at approximately 2,585 million pounds, clean basis, about 2 percent over 1954. Mill use of apparel wool in May was about 1 percent above a year earlier. The total for this year up to June 1 was about 9 percent above a year ago.

The July 1 indication was for a total flue-cured tobacco crop of 1,412 million pounds, more than 7 percent larger than last year. The 1955 burley crop was estimated at 502 million pounds, 25 percent lower than last year's record high.

#### GENERAL BUSINESS CONDITIONS

The second quarter of 1955 was the most productive quarter in history. Output of goods and services apparently totaled around a 383 billion dollar rate compared with 375 billion in the first quarter. The Federal Reserve Board's index of industrial production was at a level of 138 (1947-49=100) in May and rose to 139 in June; both months were records. Manufacturers' sales rose in May to an all-time peak of 26.5 billion dollars and manufacturers' new orders, after declining slightly in April, rose by more than 6 percent during May. A record 64 million persons were employed in June and unemployment did not show the usual seasonal rise from May. Business expenditure for new plant and equipment in the second quarter was at an annual rate 9 percent above the first and further increases are scheduled for the third quarter. New construction outlays set a record in June. Incomes were at peak rates and retail sales continued to rise in April and May to new high levels.

Rising Incomes Contribute To  
Increased Spending

Income payments to consumers continued the uptrend which began last fall, and in May were at a record annual rate of 301 billion dollars, up 2.2 billion from April and 14.4 billion above a year earlier. Increased employment, higher wage rates, and a longer work week accompanied the rise in economic activity and have led to rapidly rising incomes. Consumer incomes after taxes have been rising more than 1 billion dollars a month from an annual rate of about 261 billion in the first quarter to 267 billion in the second quarter. This is a gain of 5 percent from a year earlier.

Sales Increase

Consumer purchases moved steadily upward along with incomes during the second quarter. Total retail sales during April and May, after seasonal adjustment, averaged about 3 percent above the first quarter and 7 percent above a year ago. Durable goods have been leading the sales advance. Automobiles, and the lumber, building and hardware group have been responsible for most of the increase. However, durables are becoming of less importance in sustaining the rise in retail sales. Automobile purchases declined slightly in May and again in June. Furniture and appliance sales also registered some decline in May. However, sales by the lumber, building, and hardware group continue to climb. The soft goods are continuing their slow steady advance with no immediate sign of abatement. The food group showed a sharp rise in May--up 3 percent over April.

Table 1.- Retail sales for specified groups, April-May average 1955 with comparisons, adjusted for seasonal variation

Group	:	Apr.-May average 1955	: April-May average, 1955 : percentage change from	
			: 1st qtr., : 1955	: 2nd qtr., : 1954
Sales	:			
Total	:	15,295	2.7	7.4
Durable goods stores	:	5,500	4.4	12.7
Furniture and appliances	:	832	1.8	9.2
Lumber building and hardware <sup>1/</sup>	:	992	7.3	15.2
Automotive	:	3,140	4.6	15.8
Nondurable goods stores	:	9,794	1.7	4.6
Apparel	:	897	2.5	4.2
Food	:	3,580	0	5.0

<sup>1/</sup> Excludes farm equipment.



JULY 1955

- 7 -

Department store sales, seasonally adjusted, declined in May and again in June from the high level reached in April. The second quarter as a whole, however, was close to 3 percent above the first quarter volume and 10 percent above a year earlier.

Total consumer credit outstanding at the end of May was at a record 31.6 billion dollars, 3 percent higher than at the end of April. The rise of over 600 million dollars during the month compared with an increase of only 61 million during May last year. As in every month so far this year, the bulk of the increase was in automobile credit which has been expanding rapidly since February. In May the increase in automobile credit was more than 500 million dollars, bringing the total outstanding to 12 billion. It is expected that the rate of increase in extensions of auto credit will slacken in coming months as new car sales taper off. Despite the rapid rise in consumer credit in recent months, the total volume outstanding is only fractionally above the ratio to personal incomes in recent years and is about the same as in the immediate prewar years.

#### Outlook for Record Year in Construction Activity

Total construction expenditures in 1955 will likely be close to 42 billion dollars according to a recent estimate made jointly by the Department of Commerce and the Department of Labor. This would be 11 percent above the previous record of 37.6 billion dollars set last year. The 42 billion dollar total is comprised of an estimated private expenditure of close to 30 billion (14 percent above last year) and public outlays of 12 billion dollars which would be 4 percent above last year. About half of total private outlays will be for residential construction. New home starts are estimated at 1.3 million units in 1955, only 50,000 units less than the 1950 peak. During the first quarter, new housing starts were at an annual rate of 1.4 million. In the second quarter starts declined to 1.3 million units but are expected to hold around these levels in the last half of this year.

#### Commercial Construction Nearly A Third Above 1954 is Indicated

Private investment in commercial construction this year is estimated at 2.9 billion dollars, about 30 percent above the 1954 level. Most of this investment will be in types of construction which are influenced by population growth and migration and which complement new housing developments. Expenditures on construction of stores, restaurants, and garages are expected to be 44 percent above last year. Educational, religious, and other institutional buildings which are also closely geared to housing activity are expected to increase about a tenth.



Investment in industrial building is estimated at about 8 percent above 1954. An increase would reverse the downward trend of the past 3 years and reflects the sizable increase in investment in new plant and equipment scheduled by businessmen this year.

The above construction estimates for 1955 are based on the assumption that business activity and consumer income will be maintained around current peak levels during the rest of this year. Further, it is assumed that mortgage credit will continue to be available on relatively favorable terms and that building materials will be in adequate supply at costs moderately above those of last year.

#### Investment Scheduled At Peak in Third Quarter

Business expenditures for new plant and equipment during the third quarter are expected to be at a seasonally adjusted annual rate of about 29 billion dollars. This is 3 percent or about a billion dollars, above the second quarter rate and more than 7 percent above the third quarter a year ago. It is also equal to the peak rate of expenditure set in the third quarter of 1953. Increased investment outlays are anticipated in the next few months for nearly all major industry groups; only non-durable manufacturers expect to invest less than in the second quarter. Public utilities and railroads have scheduled the largest relative increase in investment. Capital outlays during the second quarter also increased for most industries. Manufacturing industries expanded investment outlays nearly a tenth over the first quarter, primarily in non-durable goods industries which rose nearly 12 percent. Mining registered the biggest increase--17 percent above the first quarter.

#### Inventory Investment Increases

The current expansion in economic activity is contributing to some increase in inventories. Although output has held at high levels in a wide range of industries, sales volume also has been large enough to prevent more than a modest build up in stocks so far this year. However, inventories increased at a 3.5 billion dollar annual rate in the second quarter and they may continue to accumulate in coming months. During May, manufacturers' inventories rose by about 200 million dollars after seasonal adjustment, the first substantial increase this year. At the retail level stocks rose by about 280 million dollars which was due, as in past months, almost entirely to a small rise in stocks of new cars. Preliminary reports indicate that automobile inventories declined somewhat in June.

#### Industrial Output Steady Employment At Record

The rate of advance in industrial output slackened somewhat as the second quarter drew to a close. Steel and automobiles, the pace-makers in the production upsurge since last fall, failed to show any



advance in June. Automobile output declined in May and again in June; 754,000 new cars were produced in April, 725,000 in May and about 648,000 in June, according to preliminary estimates. While the June decline was more than 10 percent, it was less than had been expected. Auto output was still about 28 percent above a year ago. Much of the reduction in car output in June was due to local labor-management disputes and the resultant parts shortages. Steel mill activity, after reaching a record of 97 percent of capacity in May, declined during most of June to about 95 percent of capacity.

Table 2.- Index of industrial production, specified groups, first and second quarters 1954 and 1955 with percentage change, adjusted for seasonal variation

Group	(1947-49=100)					
	1954		1955		:Percentage change	
					: 1955 from 1954	
	I	II	I	II	I	II
					Pct.	Pct.
Industrial production	124	124	133	138	7	11
Durable goods	138	135	147	152	7	13
Primary metals	108	106	131	138	21	30
Nondurable goods	114	116	122	127	7	9
Consumer durable goods	112	118	135	144	21	22
Autos	133	140	170	186	28	33
Major household goods	109	119	135	144	24	21

Despite the tapering off in steel and automobile output, the Federal Reserve Board's index of industrial production in June was up one point from the record May level of 138 (1947-49=100). Production in most other major industries, both durable and non-durable, continued to rise in June. Output of primary metals and metal fabricated products as a whole rose despite the levelling off in steel output. Primary metals production in the second quarter was 5 percent above the first quarter and fabricated metal products were also up 5 percent. Among consumer goods chief gains were in furniture and floor coverings, up 3 percent during May and 18 percent above a year ago. Output of home-furnishings has been spurred by the boom in residential building. Manufacture of television sets increased 4 percent during April but declined 3 percent in May. Output of radios was down 9 percent in April but rose 5 percent during May.



### Manufacturers' Orders Rise Sharply

After declining slightly in April, manufacturers' new orders shot upward in May to a seasonally adjusted rate of 27.7 billion dollars, 6 percent over April and nearly a fourth above May 1954. Durable goods industries accounted for most of the recent rise but non-durables orders continued to expand moderately. Business plans for heavy plant and equipment expenditures in the third quarter have been reflected in expanded machine tool orders. A private survey of orders for non-electrical machinery showed an increase of  $4\frac{1}{2}$  percent during May, a sharper rise than occurred in April. This continued the upward trend that began last December.

Manufacturers' sales, after remaining unchanged from March to April, advanced by  $\frac{1}{2}$  billion dollars to 26.5 billion dollars in May. Most of the increase was in the durable goods industries. Since new orders exceeded sales, manufacturers order backlogs increased further.

### Employment At Record 64 Million

Employment during June rose to an all-time peak of 64 million. This compares with 62.7 million in May and the previous record of 63.7 million, set in August 1953. The number of jobs increased by 1.3 million during June, but the civilian labor force also increased with the annual influx of students into the labor force--by 1.5 million--and unemployment rose by 0.2 million. However, the increase in unemployment was far less than the usual seasonal rise for June.

Non-agricultural employment increased by 595,000 during June to a total of 56.3 million, more than double the increase during May. Most major industries shared in the rise. Manufacturing employment in nondurable goods industries declined fractionally but this was more than offset by a continued upward climb in durable goods industries. Farm employment increased seasonally from May to June. Family labor declined but this was more than offset by a rise in the number of hired workers. These shifts were seasonal.

### Commodity Prices

Wholesale commodity prices in Mid-July were up slightly from a month earlier. A rise in nonfarm products more than offset declines in the farm products, processed foods, and meat groups. Lower market quotations for hogs and the lower grades of cattle were chiefly responsible for the drop in average prices for farm products.

The index of 22 basic commodities on July 6 was 2 percent above early June. Lower prices for foodstuffs and textiles were more than offset by substantial increases in raw industrials and metals. These groups will probably continue to rise in coming months, under the influence of expected wage and cost increases.

The consumer price index was unchanged from April to May at 114.2 (1947-49=100). This index has not varied more than 0.1 percent in the past 6 months. The index of retail food prices declined 0.1 percent, the first drop since last December. Substantial increases in fruits and vegetables were offset by small declines for most other items. After declining in April for the first time since 1942 the rent index resumed its gradual advance, up 0.3 percent in May.

Table 3.- Indexes of prices received and prices paid, including interest, taxes, and wage rates, and parity ratio, first and second quarter 1955 and second quarter 1954

Group	(1910-14=100)		
	1955		1954
	Apr.-June	Jan.-Mar.	Apr.-June
Prices received	245	243	253
Prices paid, interest, taxes and wage rates	283	283	283
Parity ratio	87	86	90

Prices Received and  
Paid by Farmers

The index of prices received by farmers declined 1 point from mid-May to mid-June, to 243 (1910-14=100) the lowest level this year and nearly 2 percent below a year earlier. The livestock and livestock products index rose because of a sharp increase in hog prices, but the all crops index declined nearly 4 percent over the month. Lower prices received by farmers for potatoes, cantaloups, watermelons, tomatoes, and wheat were primarily responsible for the drop.



The index of prices paid by farmers for commodities, interest, taxes and wage rates (Parity Index) was unchanged at 282 from May to June. Prices paid for family living and production items each declined a point but not enough to change the parity index. As a result, the Parity Ratio for June declined 1 point to 86, which was the same as the March level and 2 points below June last year.

Prices on selected central markets for food and feed grains generally declined from early June to early July. Wheat no. 2, hard winter, at Kansas City was down 7 percent; rye at Minneapolis fell 11 percent and oats at Minneapolis, 18 percent. Milo and flaxseed were also down on major markets. Corn prices, however, were virtually unchanged. Hog prices at Chicago declined less than one percent. Slaughter steers at Chicago advanced about 2 percent over the month but cows, utility grade, fell about 5 percent. Midwestern eggs were up 3 percent while broilers at Del-Mar-Va declined a fraction.

#### THE FOREIGN MARKET FOR AGRICULTURAL PRODUCTS

Although the dollar gap has disappeared, and foreign gold and dollar reserves are at record levels, U. S. agriculture continues to be faced with import restrictions in many of its foreign markets. Our trading partners are still carefully husbanding their dollars, protecting their own agriculture and buying from countries which provide a market for their surplus agricultural and industrial production. To counteract these influences which tend to restrict trade the U. S. Government has developed numerous programs to assist farm exports.

In the beginning negotiation of agreements with foreign countries has been slow. Recently the scope of these negotiations has been greatly accelerated. FOA has exceeded by about \$100 million the requirement that at least \$350 million of foreign aid funds be used to finance the export of U. S. surplus commodities. As of July 6, the Department of Agriculture has negotiated agreements under Title I of PL 480 for the sale of commodities having a market value of \$361 million. During fiscal year 1955 barter agreements were negotiated for surplus commodities valued at \$281 million. The bulk of the shipments under all these programs, however, probably were not made until after the close of the 1954-55 fiscal year.

Sales outside of these programs also appear to have been somewhat curtailed as a result of two related factors. One was a possible reluctance on the part of foreign buyers to spend dollars until it was known what portion of their needs could be purchased with their own currencies. More recently, some uncertainty developed on the part of foreign buyers as to U. S. export price policy in the face of rising surpluses.



Even with reluctance to make commitments abroad, and lags in programs, agricultural exports for the fiscal year ending June 30, 1955, were estimated at \$3.1 billion or 7 percent above the previous year. It is estimated that approximately 30 percent of these exports moved under government grant, gift, loan, barter and foreign currency sale programs.

#### FARM INCOME

Farmers received about 12.2 billion dollars from marketings in the first half of 1955, down 4 percent from last year because of lower prices. Receipts from livestock and products of 7.6 billion dollars were 7 percent less than in the corresponding period of 1954. Prices of hogs averaged lower, and receipts from meat animals were down. Crop receipts in the first 6 months were 4.4 billion dollars, 2 percent above 1954 due to higher average prices. Receipts from soybeans, potatoes, and truck crops were substantially above last year.

Total cash receipts from farm marketings in June were 2.0 billion dollars. The 4 percent gain over May, was about the usual seasonal increase. They were 4 percent below June of 1954, however, because of lower average prices. Receipts from livestock and products were about 1.3 billion dollars, 6 percent below May as most of the major items were down seasonally. They were only slightly below a year ago due to lower average prices. Crop receipts in June were approximately 0.7 billion dollars, 30 percent above May but a little below June of last year. The increase from the previous month reflected seasonally larger marketings of some of the early maturing small grains, fruits, and vegetables.

#### LIVESTOCK AND MEAT

Production of hogs continues to increase rapidly and is approaching a peacetime peak while cattle production is nearly stable at a record high. Total output of meat animals and meat is also on an uptrend and also at a record.

The 1955 spring pig crop turned out 9 percent larger than last year's spring crop. Producers are planning for 11 percent more sows to farrow this fall than last fall. If fall plans are carried out, the 1955 pig crop will total around 101 million, a number exceeded in peacetime only by the 102 million in 1951.

Slaughter of hogs in the first half of 1955 registered about an 18 percent gain from the small slaughter at the same time last year. Slaughter in the second half will likely increase an average of 10 to 12 percent above a year ago. The planned increase in fall farrowings makes it likely that slaughter in the first half of 1956 will also be above a year earlier.

The number of cattle on farms has been almost stable for more than two years and may be continuing so. From January through June about 3 percent more cattle were slaughtered than a year before while calf slaughter was unchanged. The moderate increase in combined slaughter points to little change in numbers this year. However, a small decrease is more likely than an increase.

Slaughter of sheep and lambs in the first 6 months of 1955 was almost 5 percent greater than a year before. Slaughter in the second half may be approximately equal to that of last year.

From the slaughter in prospect, consumption of all meat for 1955 will likely be around 159 or 160 pounds per person, several pounds above last year's 153 pounds and close to the record 163 pounds consumed in 1908

High output has resulted in lower prices for hogs than in the last year or two and has prevented increases for prices of cattle and sheep despite rising incomes of consumers. Profit margins of producers are rather narrow compared with several postwar years. Production of hogs is continuing upward despite lower prices and returns, largely because prices of feed are lower and large harvests of feed crops this year have been in prospect. The lower average prices expected in the next year might halt the production uptrend in 1956.

Prices of hogs increased this spring as marketings were reduced and will remain strong through at least midsummer. They will decline seasonally during the fall and will be considerably lower than last fall. By winter, however, when recovery usually begins, prices may not be greatly different from the lower levels of last winter.

Prices of fed steers and heifers declined during the spring when marketings increased but have been quite stable in recent weeks. Movement of feeder stock to feeding areas continued large this spring and on July 1 there were 13 percent more cattle on feed than a year before. Seasonal increases in fed cattle prices the next few months will be limited by the sizable marketings in prospect.

Prices of lambs recovered from their May low after movement of 1954 crop lambs ended. Lamb prices usually decline during summer and early fall, and probably will do so this year.

#### DAIRY PRODUCTS

Production of milk is declining seasonally but continues larger than a year earlier. Output in January-April 1955 was less than in corresponding months of 1954, but was greater in May and June. For the first half year, production totaled 65.5 billion pounds compared with 65.8 billion in January-June 1954. Production may exceed a year earlier at times in the rest of 1955 so that output for the year will be around the 123.5 billion pounds produced in 1954.



Despite higher average retail prices than a year earlier, consumption of fluid milk continues to exceed that of last year. Helping to bring this about were the special programs to increase consumption of milk by school children, military personnel and veterans hospital patients but larger consumer incomes, increasing population, and widespread efforts to increase milk sales undoubtedly also have had some effect. Consumption of butter, cheese and ice cream are continuing above a year earlier but consumption of evaporated milk is running below. In total, consumption of dairy products likely will continue at a high level through the rest of 1955.

With larger consumption of fluid milk, only slightly greater production and larger storage operations by private firms, purchases by USDA so far this marketing year have been only a little over half those of a year earlier. On the other hand, disposition of dairy products from CCC stocks has continued at a relatively high rate. Unsold supplies available as of June 30, 1955 included 171 million pounds of butter, 264 million pounds of cheese and 143 million pounds of nonfat. A year earlier, holdings were 440 million pounds of butter, 412 million pounds of cheese and 302 million pounds of nonfat dry milk.

Prices received by farmers for milk and butterfat continue a little above a year earlier, and are more favorable than the last few years relative to prices for other livestock products and feed. Continuation of such relationships would tend to bring about some increase in milk flow by end of 1955 or in 1956, since supplies of feed grains and hay are at record levels.

#### POULTRY AND EGGS

Egg prices in most markets in early July were a few cents per dozen above a month earlier, and in general close to the same period in 1954. Toward the middle of the month, however, prices declined to levels which in many markets were below a year earlier. The decline may be due to the large current production of eggs--on July 1, more than 9 percent over last July 1--and the June 30 cutoff date for storage of eggs eligible for future contract delivery in Chicago.

The mid-June price received by farmers averaged 33.8 cents per dozen, the same as in mid-May. This compares with 33.0 cents in mid-June 1954. Later this year, however, egg prices are expected to rise considerably above the unusually low level of 1954, mainly because of the prospective drop from last year in last-quarter egg production. The number of young chickens on farms on June 1 was 18 percent below a year ago.

Broiler prices weakened slightly in late June. The U. S. average farm price in mid-June was 27.3 cents compared with 24.4 cents a year earlier. Early June sales were from record numbers of chicks placed 10-12 weeks earlier. Placements and settings of eggs in incubators since then have continued at a high level indicating continued large broiler supplies through September.



The 1955 crop of heavy-breed turkeys may be almost up to the 1954 number of 45 million birds raised. The tonnage to be produced this year from heavy-breed poult, however, may be somewhat smaller than last year because many of the heavy type white birds will be sold at fryer weights. Hatchings of heavy breed poult in June were 14 percent above a year earlier while eggs in incubators on July 1 were up 41 percent (but July hatchings last year were less than 3 percent of the annual total). This is a considerable change from the situation in the first 4 months of the year when heavy-breed hatchings were 13 percent below a year earlier. Hatchings of light-breed poult continue sharply below last year. Cumulative 1955 hatchings to July 1 were 27 percent below the year before, when 18 million light-breed birds were raised.

#### OILSEEDS, FATS AND OILS

Total disappearance of food fats in the marketing year ending next September 30 is expected to be over 10 percent more than in 1953-54. Most of the rise will reflect a large increase in exports, although domestic use also will be greater. Ending stocks will be down sharply from the high levels of the past 2 years, because of reductions in CCC holdings of edible oils and butter. Commercial stocks will be about the same.

Supplies of food fats in the crop year beginning next October 1 may be about 5 percent less than the record quantities of the present year. Reduced beginning stocks will more than offset a new high in production. Peak output of soybean oil and a moderate increase in lard will more than counterbalance a decline in cottonseed oil.

Reports as of July 1 indicate that the 1955 flaxseed crop will be well above probable domestic use. Unlike recent years, however, a strong world demand and limited supplies from other countries may permit sizeable commercial exports.

Production of inedible tallow and greases in 1955-56 may continue upward. Hog slaughter will increase because of the larger pig crops in 1955. Little change in cattle slaughter is expected.

#### CORN AND OTHER FEEDS

A record supply of feed grains and other concentrates is in prospect for 1955-56, more than a tenth larger than in 1954-55. Production of the four feed grains, based on July 1 indications, would be around 136 million tons, compared with 121.6 million last year and the 1949-53 average of 118.6 million. The total carryover of feed grains into 1955-56 is expected to be at least a fifth larger than last year's record of 32 million tons. Allowing for a supply of byproduct feeds and wheat and rye for feed at about the 1954-55 level, the total feed concentrate supply is estimated at 202 million tons, 22 million more than the record supply last year.



The corn supply for 1955-56 is expected to total around 4.5 billion bushels, 10 percent above the 1949-53 average and 11 percent above the previous record in 1949-50. The crop was estimated on July 1 at 3,450 million bushels and a record carryover of over a billion bushels is in prospect for next October 1. Supplies of oats and barley also exceed the big supplies of last year. The prospective hay supply is larger and more evenly distributed than last year.

Cash corn prices have been comparatively steady during the past 2 months with weekly average prices of No. 3 Yellow at Chicago ranging from \$1.46 to \$1.50 per bushel. Oats and barley prices, on the other hand, have declined seasonally with the beginning of harvest of the 1955 crop. Prices of these two grains are quite cheap relative to corn in many areas of the country. Feed grain prices have been moderately lower than a year earlier in recent weeks, and lower prices seem probable this summer and fall, assuming that prospects continue favorable for 1955 crops. Prices of most of the high-protein feeds also are lower than a year ago with greatest declines in prices of soybean meal, tankage, and meat scraps. While demand for high-protein feeds apparently has fallen off during the past year, the lower prices also reflect the much larger production of soybean meal this summer than last.

#### WHEAT

The total wheat supply for the marketing year beginning July 1, 1955, now estimated at about 1,865 million bushels, is only slightly smaller than the 1,875 million-bushel record reached a year ago. A reduction in production is about offset by an increase in the carryover. The supply this year consists of an indicated July 1, 1955 carryover in the neighborhood of a billion bushels (an estimate will be released on July 22), a crop (July 1 basis) of 860 million bushels, and an allowance for imports of 1 million bushels of milling wheat and 4 million bushels of feeding quality wheat.

If domestic disappearance and exports in 1955-56 total about the same as estimated for 1954-55, the carryover July 1, 1956 would total slightly below July 1, 1955. This would be the first decline since 1952 when the July 1 carryover was 256 million bushels.

With the 1955 crop estimated at less than the likely disappearance, it is probable that early season prices will not fall as far below the loan rate as in many years. Moreover, prices for the marketing year, as a whole, may average slightly higher relative to the loan rate than in 1954-55. The price received by farmers this year may average about \$2.00, compared with the national average loan of \$2.08, whereas in 1954-55 it averaged about \$2.14 when the loan was \$2.24.

Returns from the referendum held on June 25 in the 36-State wheat producing area showed that 77.5 percent of farmers voting favored marketing quotas for the 1956 crop. As a result, marketing quotas



will be in effect for the 1956 crop. The national average support price for the 1956 crop has been announced at not less than \$1.81 per bushel, which reflects 76 percent of the estimated parity level. The full support levels will be available in commercial wheat States for those who comply with their individual farm acreage allotments. Support rates in the 12 noncommercial wheat States are set by law at levels representing 75 percent of the rates calculated on the national average. The minimum support announced will not be lowered, but it will be raised if a combination of changes in the parity price and the supply situation calls for an increase on July 1, 1956.

#### FRUIT

Consumer demand for fruit in general is expected to be somewhat stronger this summer than in the summer of 1954. Total supplies of fresh deciduous fruits from the 1955 crops probably will be a little larger during August and September than a year earlier. Supplies of some fruits for processing this year, especially California grapes, apricots, clingstone peaches, and Northwest prunes are expected to be larger than in 1954.

Prospects on July 1 were for total production of deciduous fruit about 4 percent larger than in 1954. Larger crops than in 1954 were indicated for apricots, sweet cherries, sour cherries, fresh plums, Pacific Northwest prunes, grapes, and strawberries. Production of pears was expected to be about the same as in 1954, but that of peaches, commercial apples, and California dried prunes smaller. Even so, production of California clingstone peaches, which comprise most of the peaches that are canned commercially, is estimated to be 7 percent larger than in 1954. Indicated production of dried prunes is more than sufficient for usual domestic consumption.

Packers' stocks of 10 items of canned deciduous fruits combined (applesauce, apricots, sour cherries, fruit cocktail and salad, peaches, pears, apples, berries, sweet cherries, and plums and prunes) were about 6 percent larger on June 1, 1955 than a year earlier. Among these fruits, stocks of canned apples and applesauce were up sharply, while those of apricots and peaches were down considerably. Wholesale distributors' stocks of the first 6 items above, for which data were available, were not greatly different from a year earlier.

On July 1, 1955, remaining supplies of California Valencia oranges, which provide most of the oranges for fresh use in summer, were considerably larger than a year earlier, when production was much lighter. Auction prices for California Valencias in early July were moderately under a year previously. In Florida, where the season for the 1954-55 crop was nearly over on July 1, output of frozen orange concentrate was nearly as large as in 1953-54. Stocks of frozen orange



juice, mostly concentrate, were about 4 percent larger on July 1, 1955 than a year earlier. But with consumption continuing at a higher rate than a year ago, carryover stocks of concentrate at the start of the new season probably will not be greatly different from a year earlier. Stocks of Florida canned citrus juices on July 2, 1955 were 18 percent under a year previously.

During June cold-storage holdings of strawberries more than doubled, while stocks of most other berries and tree fruits decreased. Total stocks, excluding juices, were about 245 million pounds on July 1, 1955, about 10 percent above a year earlier.

### COMMERCIAL VEGETABLES

#### For Fresh Market

Total supplies of commercial vegetables for the summer market are expected to be moderately larger than those of last summer. Among important summer crops, heavy increases over last year are indicated for cantaloups, sweet corn, green peas, tomatoes, and watermelons. Moderate decreases are expected in carrots and lettuce among others.

Although prices received by growers in mid-June averaged considerably higher than a year earlier, they tended to decline in June and early July with increasing shipments. With prospective larger supplies this summer, the level of prices to growers may not be as high as last summer.

#### For Processing

Planted acreage of vegetables for commercial processing reported so far this year is about 4 percent smaller than last year. Total stocks of canned vegetables held by packers as of recent dates are indicated to be somewhat smaller than a year earlier. Cold-storage holdings of frozen vegetables were about 8 percent smaller on July 1, 1955 than on that date in 1954.

### POTATOES AND SWEETPOTATOES

Total production of potatoes in 1955 is expected to be about 400 million bushels, 12 percent above last year. The crop in the intermediate and late States, which will be marketed from now until next spring, totals 342 million bushels, nearly 38 million bushels or 12 percent above comparable production in 1954. This means supplies of potatoes considerably in excess of usual utilization.

The crop of 34 million bushels of sweetpotatoes in prospect for 1955 is nearly 15 percent larger than the 1954 crop but 27 percent under the 1944-53 average. However, supplies are not expected to be burdensome on the market. As marketings of the new crop become seasonally heavy this summer, a seasonal downturn in prices can be expected.

#### DRY BEANS AND PEAS

Production of dry edible beans this year is expected to be a little larger than the 1954 crop. Carryover stocks are expected to be moderately larger this summer than last. There may be increased exports in 1955-56. With supplies up and the price-support level down, prices that farmers will receive for the 1955 crop are unlikely to average as high as for the 1954 crop.

The dry field pea crop is about 27 percent smaller this year than last because of unfavorable June weather in the Pacific Northwest where most of the crop is grown. Carryover stocks are expected to be very low this summer. Exports to Europe are expected to be much smaller than in 1954-55, when the crop in that part of the world was short and of poor quality.

#### COTTON

Acreage of cotton in cultivation on July 1 totaled 17,096,000. This is about 6 percent below the 1955 allotment of approximately 18.2 million acres and compares with 19,791,000 acres a year earlier. First production estimates will be available on August 8th.

Prices for cotton have increased some over the past 2 months. The average price for Middling 15/16 inch cotton at the 14 spot markets during June was 33.84 cents per pound. In May it was 33.73 cents and in April it was 33.38 cents. On July 15 the average price was 33.65 cents per pound. The average support price for this quality of cotton at these markets from the 1954 crop was 33.46 cents per pound.

Stocks of cotton held by CCC (owned and held as collateral against outstanding loans) increased from April 22 to May 6. They have since declined and on June 24 amounted to 8,224,000 bales. The peak in CCC held stocks during the 1954-55 season was reached on February 28 when they were 8,716,000 bales. On May 14, 1954 CCC held stocks were 7,582,000 bales. The total carryover on August 1, 1955 is expected to be more than 11 million bales.



Exports during the past few months have been well below exports during the same months of a year earlier. In April 1955 they totaled about 239,000 bales compared with 422,000 a year earlier and 369,000 in March 1955. In May exports totaled 230.7 thousand bales, compared with about 336,000 in May 1954. Consumption during the latter half of the 1954-55 marketing year has been running well above that of a year earlier. The average daily rate of consumption in May was 35.2 thousand bales. A year earlier the rate was 32.3 thousand bales per working day. Trade reports indicate that mills have received substantial orders for the delivery of grey goods into the fourth quarter of 1955.

#### WOOL

Auctions of the 1954-55 season in Australia ended late in June. The 1955-56 selling season will open late in August or early in September. Prices at the closing sales were about the same as a month earlier but ranged down to 20 percent below a year earlier. Boston quotations for domestic wools ranged from about the same as to about 7.5 cents per pound, clean basis, lower than a month earlier. Prices received by growers for shorn wool at mid-June averaged 44.7 cents per pound, grease basis, 2.2 cents lower than a month earlier and 10.6 cents below a year earlier.

The Foreign Agricultural Service forecasts world production in 1955 at 4,475 million pounds, grease basis. This would be equivalent to about 2,585 million pounds, clean basis, an increase of about 2 percent over 1954.

Mill use of apparel wool during May was about 4 percent above a month earlier and about 1 percent above a year earlier. The total through May was about 9 percent above a year earlier. Use of carpet wool was 1 percent above the previous month and 23 percent above a year earlier. The total through May was 7 percent above a year earlier.

Imports of dutiable wool for consumption during January-April were up about one-sixth from a year earlier. Imports of duty-free wool were up about one-fifth.

#### TOBACCO

Georgia and Florida auction markets for the 1955 crop of flue-cured open July 21. The season average for last year's Georgia-Florida crop was 47.1 cents per pound. This year's production in this Belt is indicated to be about the same as last year's harvestings and is about 11 percent of the entire flue-cured crop. Opening dates for auctions in the other Belts farther north range from late July into September.

The July indication was for a total flue-cured crop of 1,412 million pounds--over 7 percent larger than last year. Carryover of flue-cured on July 1 is estimated at about 6 percent larger than a year ago and total supply for 1955-56 will top the record 1954-55 level. Domestic consumption of flue-cured is expected to continue near the present level while exports in 1955-56 are likely to increase moderately. The price support level for 1955 flue-cured is 48.3 cents per pound--slightly higher than last season.

Growers of flue-cured tobacco will vote on July 23 whether to continue marketing quotas on the 1956, 1957, and 1958 crops, or for the 1956 crop only, or to reject quotas. The Department of Agriculture announced the 1956 crop marketing quota which, when converted to acres, means a reduction of 12 percent in acreage allotments. Marketing quotas have been continuously in effect on flue-cured tobacco beginning with 1938, except for 1939.

About 72 percent of the 1954 crop of Maryland tobacco has been marketed and through mid-July, auction prices averaged 41.7 cents per pound--24 percent less than a year ago. The indicated 1955 Maryland crop as of July 1 was 45.9 million pounds--8 percent larger than 1954 production.

The 1955 crop of burley tobacco at 502 million pounds, estimated as of July 1, is 25 percent lower than last year's record high. However, carryover of burley on October 1 will be at a record high and the reduction in the year's crop may lower the total supply for 1955-56 only about 2 percent from the very high 1954-55 level.

Flue-cured, burley, and Maryland are primarily cigarette tobaccos. In the 11 months ending May 31, the number of cigarettes manufactured totaled 369 billion--2 percent below the same period of 1953-54.

According to July 1 indications, the 1954 fire-cured and dark air-cured crops will be somewhat smaller than last year. The carryover of fire-cured tobacco on October 1 may be about the same or a little lower than a year earlier and that of dark air-cured, may be a little larger. July indications for cigar tobacco production were for increases for most types and approximately the same as a year earlier for the remaining types.





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